**Financial Plan Overview:**

Vancouver Distillery Works is set to build upon a future of long term growth, rather then focus on short-term profits with the use of competitive pricing, and conservative or lean production methods. Our goal is to be completely self sufficient within 3 years of start up. Some of our short-term goals include purchasing new equipment (see graph 1 below) and moving into a new distillery by the start of the second year, we have included these costs in our total requested investment. In our first year we hope to be able to deliver approximately 877 cases of Flora Vodka with an estimated total Gross Profit of $210,975. It is our goal to make sure that we achieve a gross profit margin of 40% by the end of the third year. This shall provide us the means to pay off our liabilities, and provide us with the means to expanding into other markets.

**Startup Investment:**

A total startup cost for the capital expenditures is approximately $113,000, however we have also included the first year’s expenses, which are a total of $110,000. This means that our startup capital request is for a total of $169,000. As for our startup capital as a family they expect to contribute 37% of the total startup costs, and would like to finance the additional costs of $170,000.

|  |  |
| --- | --- |
| **Total 1st Year Capital Purchases** | $102,500.00 |
| **Total 2nd Year Capital Purchases** | $10,500.00 |
| **Total Capital Purchases** | **$113,000.00** |
| **Installation and Moving Expenses 2013** | $28,000.00 |
| **Total First year Investment** | **$141,000.00** |
| **First Year Expenses** | **$100,000.00** |
| **TOTAL REQUESTED INVESTMENT** | **$269,000.00** |

The following financial assessment has been researched thoroughly by our team, with the use of many network contacts within the distillery industry, and with some help from the American Distilleries Institute.

**Cost Assumptions:**

Our current capital expenditures is based upon market prices of new equipment; however, initial review of the equipment available at this time has revealed that better options can be obtained by purchasing auctioned items at a reduced cost. When possible, we will purchase used, auction items in order to reduce costs. We require that any used items must be in good working order and provide at least 5 years, minimum, of utilization. This means that a large portion of our capital expenditure costs could be eliminated, and the additional funds will go into savings to help repay the loan quickly. We have also estimated our Cost of Goods sold in terms of what the client is using material wise now, and know that as he goes up in production, the costs will actually start to low as he buys in bulk. Which will allow for a greater percentage of revenue as his cost of goods sold reduces. Below we have provided an accurate depiction of what is necessary to achieve operation by September 1, 2012, as well as, included the installation and moving of our equipment to the new facility by September 1, 2013.

|  |  |  |  |
| --- | --- | --- | --- |
| **Capital Purchases** |  |  |  |
| **Item** | **Cost** | **Purchase Date** | |
|  |  |  |  |
| **Equipment** |  |  |  |
| Bottle Filler | $3,000 | Sep | 2012 |
| Forklift | $1,500 | Sep | 2012 |
| Pot Still with Vodka Tower | $20,000 | Sep | 2012 |
| Mash Pot | $18,000 | Sep | 2012 |
| Fermentation Tanks | $15,000 | Sep | 2012 |
| Fruit Press | $6,000 | Sep | 2012 |
| Pumps | $6,000 | Sep | 2012 |
| Steam boiler | $10,000 | Sep | 2012 |
| still support equipment | $5,000 | Sep | 2012 |
| Blending/Bottling Tank | $18,000 | Sep | 2012 |
| **Computer Hardware/Software** |  |  |  |
| Office Computer | $1,000 | Sep | 2013 |
| Accounting System | $1,000 | Sep | 2013 |
| Inventory System | $1,000 | Sep | 2013 |
| **Telecommunications** |  |  |  |
| Office Line | $500 | Sep | 2013 |
| Internet Access | $500 | Sep | 2013 |
| Cell phone (3) | $500 | Sep | 2013 |
| **Tasting Room** |  |  |  |
| Construction of Tasting Room | $4,000 | Sep | 2013 |
| Retail Racks | $1,000 | Sep | 2013 |
| Small bar | $1,000 | Sep | 2013 |

**Sales Forecast:**

We go into this knowing that we will have lean production methodology in the first year. Although the above equipment has the capacity to produce over 33,800 cases a year we as a startup company cannot provide the financial means to meet this type of production. So due to the limitations set by our current business profile, and to maintain a small “family” business we feel we would like to limit our products for the first year. This not only reduces our costs, but allows us to grow as needed due to the expenses that come from increased inventory. In the distilling industry all bottles whether they are on the shelves at the store, or sitting in our warehouse are taxed the same rate, and if we were to make that 33,800 cases the first year and only sell our estimated 800 cases, we would be responsible for the \_\_% taxes on each bottle, and this is more then we could every hope to make as a startup. With these limitations in mind we have set our sales at a rate that we can grow upon and this way we can test out our markets, with the goal of doubling the amount of cases by the second year.

In terms of the three different product lines, we have “sister” bottles in the vodka family in hopes that the smaller bottle will allow the market a smaller price to taste and enjoy while allowing a larger bottle to grow into. We have priced our cases relative to other competitors in the premium vodka market. This means that with taxes and state markup our cases should be set at approximately $362 per case on the 750ml bottles, $332 on the private 750ml bottles, and $220 for the 350ml bottles. As the state actually sets the prices on liquor in the state of Washington these are estimates based upon the states calculations of taxes and fees per bottle. However, by reviewing the following graph- it shows that our gross sales steadily rise with a 3% growth rate each month for the first year.

**Income Statement**

|  |  |  |  |
| --- | --- | --- | --- |
| **Income Statements** | **2012** |  | **2016** |
|  | September | TOTAL |  |
| **INCOME** |  |  |  |
| Gross Sales | $19,162 | **$259,757** | **$813,330** |
| (Commissions) | $0 | **$0** | **$0** |
| (Returns and allowances) | $593 | **$8,034** | **$25,155** |
| **Net Sales** | **$18,569** | **$251,723** | **$788,175** |
| (Cost of Goods) | $3,564 | $48,781 | $160,976 |
| **GROSS PROFIT** | **$15,005** | **$202,942** | **$627,200** |
| **EXPENSES - General and Administrative** |  |  |  |
| Salaries and wages | $4,887 | $58,640 | $95,693 |
| Payroll taxes | $733 | $8,796 | $14,354 |
| Professional services | $42 | $500 | $1,100 |
| Marketing and advertising | $1,344 | $7,481 | $17,730 |
| Rent | $650 | $7,800 | $12,000 |
| Maintenance | $100 | $1,200 | $1,200 |
| Depreciation | $617 | $7,400 | $8,140 |
| Insurance | $250 | $3,000 | $3,000 |
| Telephone service | $165 | $1,980 | $1,980 |
| Utilities | $50 | $600 | $4,000 |
| Office supplies | $10 | $120 | $240 |
| Postage and shipping | $25 | $300 | $600 |
| Travel | $15 | $180 | $360 |
| Entertainment | $15 | $180 | $360 |
| Interest on loans | $1,063 | $11,763 | $1,613 |
| **TOTAL EXPENSES** | **$9,965** | **$109,940** | **$162,371** |
| Net income before taxes | $5,041 | $93,002 | $464,829 |
| Provision for taxes on income | $8,808 | $119,436 | $390,899 |
| **NET PROFIT** | **-$3,767** | **-$26,435** | **$73,930** |

Our cost of admin and overhead is about 42% of sales, while our Cost of Goods is 19% of sales; this means that we could be making a total of 35-40% net profit each year. Marketing, Rent and Salaries make up the biggest percentages of our expenses. The salary estimates are for 2 contract based employees that include a full time distiller and an administrative assistant that will work ¼ time for the first year, with the hope of hiring them on by the third year full time. The management team will not be taking any portion of the profits until the loan is paid off, and there is a good working capital base that will allow for future growth within the business.

**Cash Flow**

Although we have a negative net profit going into the second year, with the initial investments we have been able to make sure that our company’s cash flow remains positive as cash is the lifeblood of any organization. Currently we have a projected growth rate of 64% in cash flow per year, and this should hopefully allow for the initial investment to be paid off earlier then the 4 years through the reinvestment of profits.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Sep-12** | **Sep-13** | **Sep-14** | **Sep-15** | **Sep-16** |
| **With Loan** | $247,475 | $389,872 | $633,810 | $1,009,492 | $1,472,139 |
| **Without Loan** | $77,475 | $219,872 | $463,810 | $839,492 | $1,302,139 |

**Balance Sheet**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Balance Sheet** | 2012 | 2013 | 2014 | 2015 | 2016 |
| Total Assets | $380,885 | $482,702 | $715,646 | $1,084,190 | $1,524,331 |
| Total Current Liabilities | $109,510 | $334,340 | $591,163 | $942,172 | $1,293,807 |
| Total Long-Term Liabilities | $109,510 | $75,700 | $39,264 | $0 | $0 |
| Total Net Worth | $80,564 | $72,663 | $85,219 | $142,018 | $230,523 |
| Total Liabilities and Net Worth | $340,885 | $482,702 | $715,646 | $1,084,190 | $1,524,331 |

As you can see our long term liabilities being paid off by the end of the 4th year will allow a generous spike to our net worth in the 5th year. We truly expect to be able to meet our financial obligations in a timely manner, and hopefully sooner then the 4 allotted years. We have also planned for our expansion in 2013 within our initial funding, which means we have no need for any further financing in the immediate future.

**Investment and Rate of Returns**

The following chart shows some of the key ratios for the business over the first five years. As you can see our return on investment starts out slow but by the 2nd Year we jump into the 200% or more range. Our current and quick ratio’s are always over 1, and our debt to equity ratio lowers dramatically each year.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Key Ratios** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Year 1 (2012-2013)** | **Working Capital** | **Current Ratio** | **Quick Ratio** | **Cash Turnover** | **Debt to Equity** | **Return on Investment** | **Return on Sales** | **Return on Assets** |
| 1st Quarter | $128,298 | 3.26 | 3.27 | 0.44 | 1.99 | 18% | 31% | 6% |
| 2nd Quarter | $116,434 | 2.35 | 2.36 | 0.52 | 2.36 | 25% | 37% | 7% |
| 3rd Quarter | $105,121 | 1.90 | 1.91 | 0.62 | 2.78 | 30% | 38% | 8% |
| 4th Quarter | $94,974 | 1.63 | 1.64 | 0.73 | 3.23 | 35% | 41% | 8% |
|  |  |  |  |  |  |  |  |  |
| **Year 2 (2013-2014)** | $51,152 | 1.15 | 1.17 | 7.35 | 5.64 | 234% | 45% | 35% |
|  |  |  |  |  |  |  |  |  |
| **Year 3 (2014-2015)** | $35,663 | 1.06 | 1.07 | 14.56 | 7.40 | 307% | 50% | 37% |
|  |  |  |  |  |  |  |  |  |
| **Year 4 (2015-2016)** | $61,338 | 1.07 | 1.07 | 11.22 | 6.63 | 279% | 58% | 37% |
|  |  |  |  |  |  |  |  |  |
| **Year 5 (2016-2017)** | $157,983 | 1.12 | 1.14 | 4.99 | 5.61 | 202% | 59% | 30% |

*\*I need to* – compare against industry on these!

**Break Even Calculations**

|  |  |
| --- | --- |
| **Break-even Estimates** |  |
|  |  |
| **Year 1** |  |
| Fixed Expenses | $109,939.69 |
| Gross Profit Margin % | 24% |
| **Break Even** | $457,375.25 |
| **Year 2** |  |
| Fixed Expenses | $134,147.46 |
| Gross Profit Margin % | 24% |
| **Break Even** | $567,736.98 |
| **Year 3** |  |
| Fixed Expenses | $159,013.20 |
| Gross Profit Margin % | 24% |
| **Break Even** | $676,330.29 |
| **Year 4** |  |
| Fixed Expenses | $160,533.95 |
| Gross Profit Margin % | 24% |
| **Break Even** | $681,061.15 |
| **Year 5** |  |
| Fixed Expenses | $162,370.78 |
| Gross Profit Margin % | 26% |
| **Break Even** | $632,635.60 |

**Valuation after 5 years**

Working on.

**Exit Plan**

Although we feel we can meet our goals in terms of liability and financial goes, we know that anything can happen in a growing market and in our current economic standings. Our long term goals are to keep this business within the family, allowing it to grow through consumer and market demand. As this is a family held LLC, if the current CEO chooses to leave the business, it will be handed off to either of the current participating family members. However, should the distillery fail to meet its liability and financial goals after 5 years, we will consider selling to a private buyer, or allow acquisition from another company as long as we can find one that will assume all outstanding debts.